

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended December 31, ~~2005~~

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Charter Township of Polkton	County Ottawa
Audit Date December 31, 2005	Opinion Date March 31, 2006	Date Accountant Report Submitted to State: May 31, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury. RECEIVED

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

March 31, 2006

To the Township Board
Charter Township of Polkton
Ottawa County, Michigan

We have audited the accompanying financial statements of the governmental activities, business type activities and each major fund of Charter Township of Polkton, Ottawa County, Michigan as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charter Township of Polkton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and each major fund of the Charter Township of Polkton, Ottawa County, Michigan as of December 31, 2005, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2005

The Management's Discussion and Analysis report of the Charter Township of Polkton covers the Township's financial performance during the year ended December 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net Assets on 12-31-2005 totaled \$871,186.15 for governmental activities and \$227,267.87 for business activities (water). Overall total capital assets remained approximately the same as 2004.

Overall revenues were \$745,569.71 (\$699,592.63 from governmental activities and \$45,977.08 from business-type activities.) There were slight increases in all income accounts, the most notable were increases in the tax category and in the interest category over the 2004 income. Government activities major road improvement this year was Oriole Drive \$300,460.00. State revenue sharing remained the same as 2004. Business activities (water fund) had no major investments.

Taxable value increased by 6.2% over 2004.

The General Fund long-term debt for the sidewalk as owed to Ottawa County Road Commission has a year end balance of \$79,862.28.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2005

ENTITY-WIDE FINANCIAL STATEMENTS (continued)

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities and business-type activities. These include the General Fund, Road Fund, Public Improvement Fund, Water Fund, Fire Fund and the Senior Services Fund.

FUND FINANCIAL STATEMENTS

The Township has the following types of funds:

Governmental Funds: Some of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. The Township's governmental funds include the General Fund, Fire Fund, Road Fund, Senior Services Fund and Public Improvement Fund.

Business-Type Funds: The Township has a Water Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

We continue to pay our water loans as assessments come in. The original 20 year loan taken out in 1998 of \$395,000 is now down to \$280,000. We did not have a water rate increase this year.

Our cash position in both the governmental and business-type activities remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services.

The Fire Fund continues with one (1) mill which just covers expenses.

The Landfill continues to be a major source of income for the Township at \$114,266.00.

The Water Fund incurred \$28,836.46 in operating expenses.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Governmental activities invested \$1,359.00 in capital assets.

Business-type activities invested \$0 in capital assets.

Governmental activities paid \$5,370.27 of principal on long-term debt.

Business-type activities paid \$20,000.00 on water bond principal.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is uncertain and it represents 32% of our income. Our tax revenue base grew at a 6.2% rate in taxable values. Some areas in the Township, however have shown increasing pressure for development and therefore the infrastructure which goes along with development. The Ottawa County Farms Landfill continues to be a revenue source for the Township.

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2005

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or the Township Treasurer at 616-837-6876.

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
December 31, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash in bank	415 204 68	22 314 66	437 519 34
Investments	483 607 59	119 824 49	603 432 08
Accounts receivable	2 964 00	2 878 93	5 842 93
Taxes receivable	235 424 38	7 938 15	243 362 53
Special assessments receivable	-	99 100 46	99 100 46
Prepaid expenses	<u>1 137 67</u>	<u>-</u>	<u>1 137 67</u>
Total Current Assets	<u>1 138 338 32</u>	<u>252 056 69</u>	<u>1 390 395 01</u>
NON-CURRENT ASSETS:			
Capital Assets	324 975 00	471 511 00	796 486 00
Less: Accumulated Depreciation	<u>(131 999 00)</u>	<u>(103 730 00)</u>	<u>(235 729 00)</u>
Total Non-current Assets	<u>192 976 00</u>	<u>367 781 00</u>	<u>560 757 00</u>
TOTAL ASSETS	<u>1 331 314 32</u>	<u>619 837 69</u>	<u>1 951 152 01</u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	2 531 42	1 819 13	4 350 55
Deferred revenue	<u>377 734 47</u>	<u>110 750 69</u>	<u>488 485 16</u>
Total Current Liabilities	<u>380 265 89</u>	<u>112 569 82</u>	<u>492 835 71</u>
NON-CURRENT LIABILITIES:			
Contracts payable	<u>79 862 28</u>	<u>280 000 00</u>	<u>359 862 28</u>
Total Non-current Liabilities	<u>79 862 28</u>	<u>280 000 00</u>	<u>359 862 28</u>
Total Liabilities	<u>460 128 17</u>	<u>392 569 82</u>	<u>852 697 99</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	193 429 00	87 781 00	281 210 00
Unrestricted	<u>677 757 15</u>	<u>139 486 87</u>	<u>817 244 02</u>
Total Net Assets	<u>871 186 15</u>	<u>227 267 87</u>	<u>1 098 454 02</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1 331 314 32</u>	<u>619 837 69</u>	<u>1 951 152 01</u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended December 31, 2005

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	75 594 60	-	(75 594 60)
General government	116 044 20	24 633 00	(91 411 20)
Public safety	144 819 94	33 114 00	(111 705 94)
Public works	326 087 46	103 908 34	(222 179 12)
Other	1 406 73	-	(1 406 73)
	<u>663 952 93</u>	<u>161 655 34</u>	<u>(502 297 59)</u>
Total Governmental Activities			
Business-Type Activities:			
Water	36 086 46	42 139 32	-
	<u>36 086 46</u>	<u>42 139 32</u>	<u>-</u>
Total Business-Type Activities			
Total Government	<u>700 039 39</u>	<u>203 794 66</u>	<u>(502 297 59)</u>
General Revenues:			
Transfers			(10 400 00)
Property taxes			317 199 02
State revenue sharing			167 324 27
Interest			27 832 19
Miscellaneous			<u>25 581 81</u>
Total General Revenues			<u>527 537 29</u>
Change in net assets			25 239 70
Net assets, beginning of year			<u>845 946 45</u>
Net Assets, End of Year			<u>871 186 15</u>

The accompanying notes are an integral part of these financial statements.

<u>Business-Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
-	(75 594 60)
-	(91 411 20)
-	(111 705 94)
-	(222 179 12)
-	(1 406 73)
-	(502 297 59)
<u>6 052 86</u>	<u>6 052 86</u>
<u>6 052 86</u>	<u>6 052 86</u>
<u>6 052 86</u>	<u>(496 244 73)</u>
10 400 00	-
-	317 199 02
-	167 324 27
3 837 76	31 669 95
-	25 581 81
<u>14 237 76</u>	<u>541 775 05</u>
20 290 62	45 530 32
<u>206 977 25</u>	<u>1 052 923 70</u>
<u>227 267 87</u>	<u>1 098 454 02</u>

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2005

	<u>General</u>	<u>Road</u>	<u>Fire</u>	<u>Other</u>
<u>Assets</u>				
Cash in bank	274 032 26	-	-	-
Investments	388 320 05	39 549 50	16 571 18	39 166 86
Accounts receivable	2 964 00	-	-	-
Prepaid expenses	-	-	-	1 137 67
Due from other funds	<u>102 813 80</u>	<u>156 653 32</u>	<u>79 436 74</u>	<u>18 716 27</u>
Total Assets	<u><u>768 130 11</u></u>	<u><u>196 202 82</u></u>	<u><u>96 007 92</u></u>	<u><u>59 020 80</u></u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	2 531 42	-	-	-
Deferred revenue	<u>102 813 80</u>	<u>156 653 32</u>	<u>79 436 74</u>	<u>19 853 94</u>
Total liabilities	<u>105 345 22</u>	<u>156 653 32</u>	<u>79 436 74</u>	<u>19 853 94</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>662 784 89</u>	<u>39 549 50</u>	<u>16 571 18</u>	<u>39 166 86</u>
Total fund equity	<u>662 784 89</u>	<u>39 549 50</u>	<u>16 571 18</u>	<u>39 166 86</u>
Total Liabilities and Fund Equity	<u><u>768 130 11</u></u>	<u><u>196 202 82</u></u>	<u><u>96 007 92</u></u>	<u><u>59 020 80</u></u>

The accompanying notes are an integral part of these financial statements.

Total

274 032 26

483 607 59

2 964 00

1 137 67

357 620 13

1 119 361 65

2 531 42

358 757 80

361 289 22

758 072 43

758 072 43

1 119 361 65

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
December 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	758 072 43
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	324 975 00
Accumulated depreciation	(131 999 00)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Contract payable	<u>(79 862 28)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>871 186 15</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended December 31, 2005

	<u>General</u>	<u>Road</u>	<u>Fire</u>	<u>Other</u>
Revenues:				
Property taxes	75 524 30	147 919 94	75 007 80	18 746 98
Licenses and permits	33 114 00	-	-	-
State revenue sharing	161 954 00	5 370 27	-	-
Charges for services:				
Property tax administration	22 883 00	-	-	-
Landfill	101 910 83	-	-	-
Interest	19 629 06	5 889 67	1 132 04	1 181 42
Rents	1 750 00	-	-	-
Special assessments	1 997 51	-	-	-
Miscellaneous	25 581 81	-	-	-
Total revenues	<u>444 344 51</u>	<u>159 179 88</u>	<u>76 139 84</u>	<u>19 928 40</u>
Expenditures:				
Legislative:				
Township Board	75 594 60	-	-	-
General government:				
Supervisor	12 900 00	-	-	-
Elections	1 191 38	-	-	-
Assessor	17 799 81	-	-	-
Clerk	17 315 87	-	-	-
Board of Review	991 52	-	-	-
Treasurer	19 488 73	-	-	-
Building and grounds	7 611 21	-	-	-
Cemetery	11 600 00	-	-	-
Public safety:				
Police protection	16 173 69	-	-	-
Fire protection	-	-	69 568 66	-
Ambulance	24 480 00	-	-	-
Protective inspection	29 362 00	-	-	-
Planning Commission	4 012 27	-	-	-
Zoning Board of Appeals	1 223 32	-	-	-
Public works:				
Highways and streets	21 384 48	300 460 07	-	-
Street lighting	2 393 66	-	-	-
Drains	1 848 95	-	-	-
Other:				
Payroll taxes	1 406 73	-	-	-
Senior services	-	-	-	18 746 98
Capital outlay	1 359 00	-	-	-
Debt service	-	5 370 27	-	-
Total expenditures	<u>268 137 22</u>	<u>305 830 34</u>	<u>69 568 66</u>	<u>18 746 98</u>
Excess (deficiency) of revenues over expenditures	<u>176 207 29</u>	<u>(146 650 46)</u>	<u>6 571 18</u>	<u>1 181 42</u>

The accompanying notes are an integral part of these financial statements.

Total

317 199 02
33 114 00
167 324 27

22 883 00
101 910 83
27 832 19
1 750 00
1 997 51
25 581 81

699 592 63

75 594 60

12 900 00
1 191 38
17 799 81
17 315 87
991 52
19 488 73
7 611 21
11 600 00

16 173 69
69 568 66
24 480 00
29 362 00
4 012 27
1 223 32

321 844 55
2 393 66
1 848 95

1 406 73
18 746 98
1 359 00
5 370 27

662 283 20

37 309 43

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended December 31, 2005

	<u>General</u>	<u>Road</u>	<u>Fire</u>	<u>Other</u>
Other financing sources (uses):				
Transfers in	-	-	10 000 00	-
Transfers out	(10 400 00)	-	-	(10 000 00)
Total other financing sources (uses)	(10 400 00)	-	10 000 00	(10 000 00)
Excess (deficiency) of revenues and other sources over expenditures and other uses	165 807 29	(146 650 46)	16 571 18	(8 818 58)
Fund balances, January 1	496 977 60	186 199 96	-	47 985 44
Fund Balances, December 31	<u>662 784 89</u>	<u>39 549 50</u>	<u>16 571 18</u>	<u>39 166 86</u>

The accompanying notes are an integral part of these financial statements.

Total

10 000 00

(20 400 00)

(10 400 00)

26 909 43

731 163 00

758 072 43

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended December 31, 2005

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 26 909 43

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(8 399 00)
Capital Outlay	1 359 00

Repayment of debt principal is an expenditure in the governmental funds, the
repayment does not have an effect in the statement of activities but does
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>5 370 27</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>25 239 70</u></u>
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The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

STATEMENT OF NET ASSETS – BUSINESS-TYPE FUNDS
December 31, 2005

	<u>Water Fund</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	18 602 58
Investments	119 824 49
Accounts receivable	2 878 93
Special assessments receivable	99 100 46
Due from other funds	<u>11 650 23</u>
Total Current Assets	<u>252 056 69</u>
NON-CURRENT ASSETS:	
Capital Assets	471 511 00
Less: Accumulated Depreciation	<u>(103 730 00)</u>
Total Non-current Assets	<u>367 781 00</u>
TOTAL ASSETS	<u><u>619 837 69</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	1 819 13
Deferred revenue	<u>110 750 69</u>
Total Current Liabilities	<u>112 569 82</u>
NON-CURRENT LIABILITIES:	
Contract payable	<u>280 000 00</u>
Total Non-current Liabilities	<u>280 000 00</u>
Total Liabilities	<u>392 569 82</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	87 781 00
Unrestricted	<u>139 486 87</u>
Total Net Assets	<u>227 267 87</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>619 837 69</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
BUSINESS-TYPE FUNDS
Year ended December 31, 2005

	<u>Water Fund</u>
OPERATING REVENUES:	
Charges for Services:	
Water charges	23 619 66
Special assessments	<u>18 519 66</u>
Total Operating Revenues	<u>42 139 32</u>
OPERATING EXPENSES:	
Water	19 406 46
Depreciation	<u>9 430 00</u>
Total Operating Expenses	<u>28 836 46</u>
Operating Income	<u>13 302 86</u>
NON-OPERATING REVENUES (EXPENSES):	
Transfers from other funds	10 400 00
Interest income	3 837 76
Interest expense	<u>(7 250 00)</u>
Net Non-operating Revenues (Expenses)	<u>6 987 76</u>
Change in net assets	20 290 62
Net assets, beginning of year	<u>206 977 25</u>
Net Assets, End of Year	<u><u>227 267 87</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

STATEMENT OF CASH FLOWS – BUSINESS-TYPE FUNDS
Year ended December 31, 2005

	<u>Water Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	42 809 05
Cash payments to supplies	<u>(25 251 33)</u>
Net cash provided (used) by operating activities	<u>17 557 72</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Net borrowings (repayments) with other funds	(613 28)
Transfers (to) from other funds	<u>10 400 00</u>
Net cash provided (used) by non-capital financing activities	<u>9 786 72</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal on contracts payable	(20 000 00)
Interest on contracts payable	<u>(7 250 00)</u>
Net cash provided (used) by capital and related financing activities	<u>(27 250 00)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on investments	<u>3 837 76</u>
Net increase (decrease) in cash	3 932 20
Cash beginning of year	<u>134 494 87</u>
Cash End of Year	<u><u>138 427 07</u></u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Income (loss) from operations	13 302 86
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	9 430 00
(Increase) decrease in receivables	669 73
Increase (decrease) in payables	<u>(5 844 87)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>17 557 72</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Polkton, Ottawa County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Charter Township of Polkton. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Joint Ventures

The Charter Township is a member of Coopersville-Polkton Cemetery Authority. The Charter Township appoints one member to the joint venture's governing board, which then approves the annual budget. The following financial information of the joint venture, obtained from their audit report, is as of June 30, 2004:

Total assets	68 527
Total liabilities	-
Total equity	68 527
Total revenue	35 906
Total expenditures	33 997
Increase (decrease) in fund balance	1 909
Total joint venture's outstanding debt	-

The Charter Township is also a member of Coopersville Polkton Area Fire Protection Authority. The Charter Township appoints two members to the joint venture's governing board, which then approves the annual budget. The following financial information of the joint venture, obtained from their audit report, is as of December 31, 2005:

Total assets	499 992
Total liabilities	-
Total net assets	499 992
Total revenue	159 245
Total expenditures	182 388
Increase (decrease) in net assets	(23 143)
Total joint venture's outstanding debt	-

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water enterprise fund are charges to customers for services. The enterprise fund also recognizes as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2004 tax roll millage rate was 4.1850 mills, and the taxable value was \$75,359,739.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	40-60 years
Furniture and equipment	3-5 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note 2 – Budgets and Budgetary Accounting (continued)

8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>916 332 48</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>851 921 87</u>
Total Deposits	<u>951 921 87</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note 3 – Deposits and Investments (continued)

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized: Operating Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonrisk-Categorized: Financial Institution Pooled Funds				<u>603 432 08</u>
Total Investments				<u>603 432 08</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	102 813 80		
Road	156 653 32		
Fire	79 436 74		
Senior services	18 716 27		
Water	<u>11 650 23</u>	Current Tax Collection	<u>369 270 36</u>
Total	<u>369 270 36</u>	Total	<u>369 270 36</u>

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note 5 – Capital Assets

Capital asset activity of the Township's Governmental and Business-Type activities for the current year was as follows:

	Balance 1/1/05	Additions	Deletions	Balance 12/31/05
<u>Governmental Activities:</u>				
Land	24 629 00	-	-	24 629 00
Buildings	277 891 00	-	-	277 891 00
Equipment	21 096 00	1 359 00	-	22 455 00
Total	323 616 00	1 359 00	-	324 975 00
Accumulated Depreciation	(123 600 00)	(8 399 00)	-	(131 999 00)
Net Governmental Capital Assets	<u>200 016 00</u>	<u>(7 040 00)</u>	<u>-</u>	<u>192 976 00</u>
<u>Business-Type Activities:</u>				
Water System	471 511 00	-	-	471 511 00
Accumulated Depreciation	(94 300 00)	(9 430 00)	-	(103 730 00)
Net Business-Type Capital Assets	<u>377 211 00</u>	<u>(9 430 00)</u>	<u>-</u>	<u>367 781 00</u>

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Pension Plan

The Township has a defined contribution pension plan covering substantially all full time employees. The Township contributes a portion of each employee's annual salary to the plan and the employees contribute an equal amount. Pension expense for the fiscal year ended December 31, 2005, was \$6,365.10.

Note 8 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	Balance 1/1/05	Additions	Deductions	Balance 12/31/05
Contract payable – Ottawa County	300 000 00	-	20 000 00	280 000 00
Contract payable – roads	85 232 55	-	5 370 27	79 862 28
Total	<u>385 232 55</u>	<u>-</u>	<u>25 370 27</u>	<u>359 862 28</u>

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note 9 – Contract Payable – Ottawa County

On March 1, 1998, the Township entered into an agreement with the County of Ottawa whereby the Township agreed to pay amounts to the County to enable the County to make bond principal and interest payments to retire the 1998 bond issue in the principal amount of \$395,000.00. The bonds were issued to fund part of the cost of a water system extension within the Township. The bonds bear interest at the rate of 2.5% per annum. As of December 31, 2005, \$280,000.00 of the bond principal remained outstanding.

<u>Due Date</u>	<u>Principal Amount</u>
4-1-06	20 000 00
4-1-07	20 000 00
4-1-08	20 000 00
4-1-09	20 000 00
4-1-10	20 000 00
4-1-11	20 000 00
4-1-12	20 000 00
4-1-13	20 000 00
4-1-14	20 000 00
4-1-15	25 000 00
4-1-16	25 000 00
4-1-17	25 000 00
4-1-18	<u>25 000 00</u>
Total	<u><u>280 000 00</u></u>

Note 10 – Contract Payable – Roads

The Charter Township of Polkton entered into a contract with the Ottawa County Road Commission to finance bridge improvements. The contract requires annual payments in varying amounts. As of December 31, 2005, the principal balance outstanding on this contract payable is \$79,862.28.

Note 11 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 12 – Transfers In and Transfers Out

For the fiscal year ended, December 31, 2005, the Township made the following interfund transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
Public Improvement Fund	-	10 000 00
Fire Fund	10 000 00	-
General Fund	-	10 400 00
Water Fund	<u>10 400 00</u>	<u>-</u>
Total	<u><u>20 400 00</u></u>	<u><u>20 400 00</u></u>

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note 13 – Building Permits

As of December 31, 2005, the Township had building permit revenues of \$32,564.00 and building permit expenses of \$29,362.00.

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended December 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	72 571 00	72 571 00	75 524 30	2 953 30
Licenses and permits	23 387 00	33 387 00	33 114 00	(273 00)
State revenue sharing	155 000 00	155 000 00	161 954 00	6 954 00
Charges for services:				
Property tax administration	20 000 00	20 000 00	22 883 00	2 883 00
Landfill	108 500 00	108 500 00	101 910 83	(6 589 17)
Interest	6 000 00	6 000 00	19 629 06	13 629 06
Rents	1 300 00	1 300 00	1 750 00	450 00
Special assessments	2 300 00	2 300 00	1 997 51	(302 49)
Miscellaneous	6 420 00	6 420 00	25 581 81	19 161 81
Total revenues	<u>395 478 00</u>	<u>405 478 00</u>	<u>444 344 51</u>	<u>38 866 51</u>
Expenditures:				
Legislative:				
Township Board	132 700 00	124 650 00	75 594 60	(49 055 40)
General government:				
Supervisor	13 000 00	13 000 00	12 900 00	(100 00)
Elections	3 000 00	3 000 00	1 191 38	(1 808 62)
Assessor	18 000 00	18 000 00	17 799 81	(200 19)
Clerk	17 600 00	17 600 00	17 315 87	(284 13)
Board of Review	1 200 00	1 200 00	991 52	(208 48)
Treasurer	18 800 00	19 650 00	19 488 73	(161 27)
Building and grounds	12 300 00	12 300 00	7 611 21	(4 688 79)
Cemetery	11 600 00	11 600 00	11 600 00	-
Public safety:				
Police protection	15 000 00	17 700 00	16 173 69	(1 526 31)
Fire protection	70 100 00	70 100 00	-	(70 100 00)
Ambulance	20 000 00	24 500 00	24 480 00	(20 00)
Protective inspection	21 000 00	31 000 00	29 362 00	(1 638 00)
Planning Commission	5 000 00	5 000 00	4 012 27	(987 73)
Zoning Board of Appeals	2 400 00	2 400 00	1 223 32	(1 176 68)
Public works:				
Highways and streets	368 515 00	368 515 00	21 384 48	(347 130 52)
Street lighting	2 500 00	2 500 00	2 393 66	(106 34)
Drains	2 000 00	2 000 00	1 848 95	(151 05)
Other:				
Payroll taxes	2 000 00	2 000 00	1 406 73	(593 27)
Capital outlay	2 800 00	2 800 00	1 359 00	(1 441 00)
Total expenditures	<u>739 515 00</u>	<u>749 515 00</u>	<u>268 137 22</u>	<u>(481 377 78)</u>
Excess (deficiency) of revenues over expenditures	<u>(344 037 00)</u>	<u>(344 037 00)</u>	<u>176 207 29</u>	<u>520 244 29</u>

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended December 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Other financing sources (uses):				
Transfers in	406 546 00	406 546 00	-	(406 546 00)
Transfers out	(16 900 00)	(16 900 00)	(10 400 00)	6 500 00
Total other financing sources (uses)	<u>389 646 00</u>	<u>389 646 00</u>	<u>(10 400 00)</u>	<u>(400 046 00)</u>
Excess of revenues and other sources over expenditures and other uses	45 609 00	45 609 00	165 807 29	120 198 29
Fund balance, January 1	<u>442 943 00</u>	<u>442 943 00</u>	<u>496 977 60</u>	<u>54 034 60</u>
Fund Balance, December 31	<u><u>488 552 00</u></u>	<u><u>488 552 00</u></u>	<u><u>662 784 89</u></u>	<u><u>174 232 89</u></u>

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROAD FUND
Year ended December 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	148 609 00	148 609 00	147 919 94	(689 06)
State revenue sharing	4 991 00	4 991 00	5 370 27	379 27
Interest	2 000 00	2 000 00	5 889 67	3 889 67
Total revenues	<u>155 600 00</u>	<u>155 600 00</u>	<u>159 179 88</u>	<u>3 579 88</u>
Expenditures:				
Public works:				
Highways and streets	331 046 00	330 446 00	300 460 07	(29 985 93)
Debt service	5 400 00	6 000 00	5 370 27	(629 73)
Total expenditures	<u>336 446 00</u>	<u>336 446 00</u>	<u>305 830 34</u>	<u>(30 615 66)</u>
Excess (deficiency) of revenues over expenditures	<u>(180 846 00)</u>	<u>(180 846 00)</u>	<u>(146 650 46)</u>	<u>34 195 54</u>
Other financing sources (uses):				
Operating transfers out	(4 991 00)	(4 991 00)	-	4 991 00
Total other financing sources (uses)	<u>(4 991 00)</u>	<u>(4 991 00)</u>	<u>-</u>	<u>4 991 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(185 837 00)</u>	<u>(185 837 00)</u>	<u>(146 650 46)</u>	<u>39 186 54</u>
Fund balance, January 1	<u>185 837 00</u>	<u>185 837 00</u>	<u>186 199 96</u>	<u>362 96</u>
Fund Balance, December 31	<u>-</u>	<u>-</u>	<u>39 549 50</u>	<u>39 549 50</u>

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND
Year ended December 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	75 359 00	75 359 00	75 007 80	(351 20)
Interest	<u>41 00</u>	<u>41 00</u>	<u>1 132 04</u>	<u>1 091 04</u>
Total revenues	<u>75 400 00</u>	<u>75 400 00</u>	<u>76 139 84</u>	<u>739 84</u>
Expenditures:				
Public safety:				
Fire protection	<u>70 100 00</u>	<u>70 100 00</u>	<u>69 568 66</u>	<u>(531 34)</u>
Total expenditures	<u>70 100 00</u>	<u>70 100 00</u>	<u>69 568 66</u>	<u>(531 34)</u>
Excess of revenues over expenditures	<u>5 300 00</u>	<u>5 300 00</u>	<u>6 571 18</u>	<u>1 271 18</u>
Other financing sources (uses):				
Operating transfers in	<u>10 000 00</u>	<u>10 000 00</u>	<u>10 000 00</u>	<u>-</u>
Total other financing sources (uses)	<u>10 000 00</u>	<u>10 000 00</u>	<u>10 000 00</u>	<u>-</u>
Excess of revenues and other sources over expenditures and other uses	15 300 00	15 300 00	16 571 18	1 271 18
Fund balance, January 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, December 31	<u><u>15 300 00</u></u>	<u><u>15 300 00</u></u>	<u><u>16 571 18</u></u>	<u><u>1 271 18</u></u>

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended December 31, 2005

Township Board:	
Wages	4 140 00
Administrative assistant	1 092 50
Supplies	1 682 64
Professional services	4 600 00
Legal	25 861 00
Printing and publishing	3 656 41
Computer service	1 625 95
Insurance	9 071 00
Pension	6 365 10
Miscellaneous	14 340 15
Memberships and dues	1 657 85
Education	1 502 00
	<u>75 594 60</u>
Supervisor:	
Salary	<u>12 900 00</u>
Elections	<u>1 191 38</u>
Assessor:	
Salary	14 400 00
Office supplies	3 399 81
	<u>17 799 81</u>
Clerk:	
Salary – Clerk	16 975 00
Expenses	340 87
	<u>17 315 87</u>
Board of Review	<u>991 52</u>
Treasurer:	
Salary	15 875 00
Expenses	3 613 73
	<u>19 488 73</u>
Building and grounds:	
Utilities	4 856 37
Repairs and maintenance	2 108 00
Miscellaneous	646 84
	<u>7 611 21</u>
Cemetery	<u>11 600 00</u>
Police protection	<u>16 173 69</u>
Ambulance	<u>24 480 00</u>
Protective inspection	<u>29 362 00</u>
Planning Commission	<u>4 012 27</u>
Zoning Board of Appeals	<u>1 223 32</u>
Highways and streets	<u>21 384 48</u>

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended December 31, 2005

Street lighting	<u>2 393 66</u>
Drains	<u>1 848 95</u>
Payroll taxes	<u>1 406 73</u>
Capital outlay	<u>1 359 00</u>
Total Expenditures	<u><u>268 137 22</u></u>

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
December 31, 2005

	<u>Road</u>	<u>Fire</u>	<u>Public Improvement</u>	<u>Senior Services</u>
<u>Assets</u>				
Investments	39 549 50	16 571 18	39 166 86	-
Prepaid expenses	-	-	-	1 137 67
Due from other funds	<u>156 653 32</u>	<u>79 436 74</u>	<u>-</u>	<u>18 716 27</u>
Total Assets	<u>196 202 82</u>	<u>96 007 92</u>	<u>39 166 86</u>	<u>19 853 94</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Deferred revenue	<u>156 653 32</u>	<u>79 436 74</u>	<u>-</u>	<u>19 853 94</u>
Total liabilities	<u>156 653 32</u>	<u>79 436 74</u>	<u>-</u>	<u>19 853 94</u>
Fund balances:				
Unreserved:				
Undesignated	<u>39 549 50</u>	<u>16 571 18</u>	<u>39 166 86</u>	<u>-</u>
Total fund balances	<u>39 549 50</u>	<u>16 571 18</u>	<u>39 166 86</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>196 202 82</u>	<u>96 007 92</u>	<u>39 166 86</u>	<u>19 853 94</u>

Total

95 287 54

1 137 67

254 806 33

351 231 54

255 944 00

255 944 00

95 287 54

95 287 54

351 231 54

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS
December 31, 2005

	<u>Road</u>	<u>Fire</u>	<u>Public Improvement</u>	<u>Senior Services</u>
Revenues:				
Property taxes	147 919 94	75 007 80	-	18 746 98
State revenue sharing	5 370 27	-	-	-
Interest	5 889 67	1 132 04	1 181 42	-
Total revenues	<u>159 179 88</u>	<u>76 139 84</u>	<u>1 181 42</u>	<u>18 746 98</u>
Expenditures:				
Public safety:				
Fire protection	-	69 568 66	-	-
Public works:				
Highways and streets	300 460 07	-	-	-
Other:				
Senior services	-	-	-	18 746 98
Debt service	5 370 27	-	-	-
Total expenditures	<u>305 830 34</u>	<u>69 568 66</u>	<u>-</u>	<u>18 746 98</u>
Excess (deficiency) of revenues over expenditures	<u>(146 650 46)</u>	<u>6 571 18</u>	<u>1 181 42</u>	<u>-</u>
Other financing sources (uses):				
Operating transfers in	-	10 000 00	-	-
Operating transfers out	-	-	(10 000 00)	-
Total other financing sources (uses)	<u>-</u>	<u>10 000 00</u>	<u>(10 000 00)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(146 650 46)</u>	<u>16 571 18</u>	<u>(8 818 58)</u>	<u>-</u>
Fund balances, January 1	<u>186 199 96</u>	<u>-</u>	<u>47 985 44</u>	<u>-</u>
Fund Balances, December 31	<u><u>39 549 50</u></u>	<u><u>16 571 18</u></u>	<u><u>39 166 86</u></u>	<u><u>-</u></u>

Total

241 674 72

5 370 27

8 203 13

255 248 12

69 568 66

300 460 07

18 746 98

5 370 27

394 145 98

(138 897 86)

10 000 00

(10 000 00)

-

(138 897 86)

234 185 40

95 287 54

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

CURRENT TAX COLLECTION FUND
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
Year ended December 31, 2005

	<u>Balance</u> <u>1/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/05</u>
<u>Assets</u>				
Cash in bank	671 228 18	2 262 049 44	2 309 079 98	624 197 64
Taxes receivable	<u>1 194 904 94</u>	<u>2 485 860 87</u>	<u>2 382 315 60</u>	<u>1 298 450 21</u>
Total Assets	<u>1 866 133 12</u>	<u>4 747 910 31</u>	<u>4 691 395 58</u>	<u>1 922 647 85</u>
<u>Liabilities</u>				
Due to other funds	333 043 55	373 599 49	337 372 68	369 270 36
Due to others	<u>1 533 089 57</u>	<u>4 374 310 82</u>	<u>4 354 022 90</u>	<u>1 553 377 49</u>
Total Liabilities	<u>1 866 133 12</u>	<u>4 747 910 31</u>	<u>4 691 395 58</u>	<u>1 922 647 85</u>

CHARTER TOWNSHIP OF POLKTON
Ottawa County, Michigan

CURRENT TAX COLLECTION FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
Year ended December 31, 2005

Cash in bank – beginning of year	<u>671 228 18</u>
Cash receipts:	
Tax collections – 2004 tax roll	1 061 523 85
Tax collections – 2005 tax roll	1 197 076 34
Interest	<u>3 449 25</u>
Total cash receipts	<u>2 262 049 44</u>
Total beginning balance and cash receipts	<u>2 933 277 62</u>
Cash disbursements:	
Township General Fund	98 319 84
Township Road Fund	140 115 74
Township Water Fund	10 408 37
Township Fire Fund	71 050 48
Township Senior Services Fund	17 478 30
Ottawa County	831 723 32
Northeast Ottawa District Library	41 136 82
Ottawa Area Intermediate School District	295 307 29
Coopersville Area Public Schools	784 549 29
Refunds of overpayments	<u>18 990 53</u>
Total cash disbursements	<u>2 309 079 98</u>
Cash in Bank – End of Year	<u><u>624 197 64</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

March 31, 2006

To the Township Board
Charter Township of Polkton
Ottawa County, Michigan

We have audited the financial statements of the Charter Township of Polkton for the year ended December 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Charter Township of Polkton in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Charter Township of Polkton
Ottawa County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated December 31, 2005.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants